

Message Text

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PAGE 01 STATE 182886

70
ORIGIN L-03

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 TRSE-00 FCSC-01

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9/13/73 EXT 23970

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EUR/EE: MR. SEGALL (SUBS)

COMMERCE: MR. E. KERBER (SUBS)

TREASURY: MR. E. RENDALL (SUBS)

EB/IFD/OIA: MR. KENNEDY (SUBS)

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FM SECSTATE WASHDC

TO AMEMBASSY PRAGUE IMMEDIATE

C O N F I D E N T I A L STATE 182886

E.O. 11652: GDS

TAGS: CZ, EFIN

SUBJECT: CLAIMS AGREEMENT

PASS TO KWiatek

1. IN ACCORDANCE WITH WILLIS/KWiatek TELCON PRIOR TO
KWiatek DEPARTURE, DEPT REQUESTS FOLLOWING CHANGES TO
ARTICLES 8 AND 9 OF DRAFT AGREEMENT TO BE TABLED:

A. IN ARTICLE 8, DELETE WORD "CROWN" BEFORE "ACCOUNT"
IN SUBPARA 1(I) AND SUBPARA 1(II). THE SUMS IN CROWNS IN
THESE SUBPARAS ARE ACCURATE.

B. CHANGE PARA 2 OF ARTICLE 8 TO READ AS FOLLOWS:
"(2) THE SUMS MENTIONED IN PARA (1) SHALL BE AVAILABLE TO
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PAGE 02 STATE 182886

PAY ALL COSTS OF ANY KIND, OF THE GOVERNMENT OF THE UNITED

STATES, PAYABLE IN CROWNS, OR, AT THE OPTION OF THE GOVERNMENT OF THE UNITED STATES, SHALL BE CONVERTED INTO UNITED STATES DOLLARS FOR PAYMENT TO THE TREASURER OF THE UNITED STATES AT THE RATE MOST FAVORABLE TO THE UNITED STATES OF ANY RATE WHICH HAS BEEN ESTABLISHED BY THE CZECHOSLOVAK GOVERNMENT WHICH IS AVAILABLE FOR TRANSACTIONS INTO DOLLARS ON THE DATE OF ENTRY INTO FORCE OF THE AGREEMENT; PROVIDED, THAT IF SUCH RATE IS LESS FAVORABLE TO THE UNITED STATES THAN 7.2 CROWNS TO THE DOLLAR, THE RATE SHALL BE 7.2 CROWNS TO THE DOLLAR."

C. CHANGE ARTICLE 9 TO READ AS FOLLOWS:

"WITHIN 30 DAYS FROM THE ENTRY INTO FORCE OF THIS AGREEMENT, THE CZECHOSLOVAK GOVERNMENT SHALL PAY IN UNITED STATES DOLLARS IN ONE LUMP SUM AMOUNT THE SUMS DUE IN PRINCIPAL AND INTEREST SINCE 1952 AND THROUGH THE DATE OF ENTRY INTO FORCE OF THE AGREEMENT UNDER THE SURPLUS PROPERTY AGREEMENT BETWEEN CZECHOSLOVAKIA AND THE UNITED STATES OF 28 MAY 1946, AND SHALL RESUME REGULAR PAYMENTS OF PRINCIPAL AND INTEREST IN ACCORDANCE WITH THE TERMS OF THE SURPLUS PROPERTY AGREEMENT.

2. WITH RESPECT TO ARTICLE 9 YOU SHOULD ALSO TABLE DRAFT APPEARING BELOW WHICH WOULD BE INTENDED AS SIDE LETTER EXCHANGE ON IMPLEMENTATION OF ARTICLE 9. WE WOULD WANT NEGOTIATION AND CONCLUSION OF SIDE LETTERS TO COINCIDE WITH SAME RE BASIC AGREEMENT. U.S. LETTER WOULD CONTAIN CUSTOMARY COMPLIMENTARY OPENING AND CLOSING AND RELATE LETTER TO BASIC AGREEMENT. CZECH RESPONSE IN CUSTOMARY MANNER WOULD REPEAT TEXT OF U.S. LETTER AND INDICATE AGREEMENT TO ITS TERMS. BODY WOULD READ AS FOLLOWS:

WITH REFERENCE TO ARTICLE 9 OF THE AGREEMENT OF THE TOTAL OF PRINCIPAL PAYMENTS DUE SINCE 1952 AND THROUGH THE DATE OF ENTRY INTO FORCE OF THE AGREEMENT UNDER THE SURPLUS PROPERTY AGREEMENT OF 28 MAY 1946 IS \$4,285,483.84. INTEREST DUE FOR THE SAME PERIOD IS \$2,547,719.39 TO JULY 1, 1973 AND \$316.87 PER DAY FROM JULY 1 TO THE DATE OF PAYMENT. THE REMAINDER OF SUMS DUE IN ACCORDANCE WITH THE TERMS OF THE SURPLUS PROPERTY CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 182886

AGREEMENT ARE \$194,794.72 IN PRINCIPAL AND \$38.02 PER DAY IN INTEREST FROM THE DATE OF PAYMENT OF PRINCIPAL AND INTEREST MENTIONED IN THE PRECEDING SENTENCE TO JULY 1, 1974, DUE ON JULY 1, 1974; \$194,794.72 IN PRINCIPAL AND \$9,252.75 IN INTEREST, DUE ON JULY 1, 1975; AND \$194,794.72 IN PRINCIPAL AND \$4,626.37 IN INTEREST, DUE ON JULY 1, 1976.

3. ARTICLE 8 (BLOCKED ACCOUNTS) REDRAFT IS DESIGNED TO ACCOMPLISH THE FOLLOWING: WE DESIRE IN THE FIRST INSTANCE, FREEDOM TO SPEND THE LOCAL CURRENCY CONTENTS OF THE BLOCKED ACCOUNTS FOR ALL OFFICIAL EXPENDITURES OF THE USG IN CZECHOSLOVAKIA. WE DO NOT BELIEVE THAT THE CZECH MINISTRY OF FOREIGN AFFAIRS SHOULD BE GIVEN ANY RIGHT TO VETO USG EXPENDITURE OF THIS MONEY AS WE SEE FIT. SECOND, WE BELIEVE THAT THE U.S. SHOULD BE FREE TO REPATRIATE DOLLARS IN ORDER TO ACHIEVE AN EQUIVALENT CONCESSION TO OUR PROPOSED ACTION UNBLOCKING CZECH ACCOUNTS HERE, WHICH WILL LEAD TO REPATRIATION IMMEDIATELY BY CZECHOSLOVAKIA. THIRD, WITHOUT PROTECTION ON THE MATTER OF THE EXCHANGE RATE, CZECHOSLOVAKIA COULD GAIN A FINANCIAL ADVANTAGE BECAUSE OF MULTIPLE, ARTIFICIAL EXCHANGE RATES CURRENTLY IN USE. FOR INSTANCE, PRESENT RATES ARE 13.3 CROWNS/DOLLAR -- TOURIST RATE, 11.5/1 -- NON-COMMERCIAL RATE, 5.8/1 -- COMMERCIAL RATE. ALSO, THE USG RECENTLY PURCHASED AT THE RATE OF 11.36/1 FOR EMBASSY EXPENSES. THE 7.2/1 RATE IS THE RATE EQUIVALENT TO THAT AT WHICH THE ACCOUNT WAS ESTABLISHED AND WHICH WAS AGREED BY CZECHOSLOVAKIA DURING 1961 ROUND OF NEGOTIATIONS. THIS RATE REFLECTS THE CURRENCY REFORM WHICH TOOK PLACE OVER A DECADE AGO. THE PROPOSED DRAFT IS DESIGNED TO GIVE US THE 5.8/1 EXCHANGE RATE AND, IF AN OFFICIAL RATE CHANGE LESSENS THE RELATIVE VALUE OF THE CROWN PRIOR TO THE ENTRY INTO FORCE OF THE AGREEMENT, TO PROVIDE A FLOOR RATE NO LESS THAN 7.2 CROWNS/\$1.

4. PURPOSE OF REDRAFT OF ARTICLE 9 AND SIDE LETTERS ARE FOR SIMPLE MATTER OF CLARIFICATION OF TEXT, TO INDICATE LUMP SUM PAYMENT TO BE IN U.S. DOLLARS, TO INDICATE COMPLETE TERMS 1946 AGREEMENT REMAIN APPLICABLE TO PAYMENTS DUE IN 1974, 1975, AND 1976, AND TO PIN DOWN CONFIDENTIAL

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PAGE 04 STATE 182886

ACTUAL FIGURES. RESORT TO SIDE LETTERS IS DESIGNED TO MAKE ARTICLE 9 MORE PALATABLE TO CZECHS, WHOM, WE ASSUME, MIGHT RESIST SPELLING OUT AMOUNTS THEY ARE IN DEFAULT AND QUANTITY OF INTEREST PAYMENTS IN BASIC AGREEMENT. RUSH

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Message Attributes

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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
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ISecure: 1
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TAGS: EFIN, CZ
To: PRAGUE
Type: TE
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